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MarketView
Baltimore Office

FOURTH QUARTER 2007

"The Baltimore office market remains healthy thanks to thriving sectors like financial services, defense contractors, healthcare, and life sciences. The metro area absorbed over 1.1 million square feet in 2007, exhibiting Baltimore's economic stability and resiliency in comparison to other markets affected by instabilities in the national economy."

- Kevin Wille, Senior Vice President

QUICK STATS

	Current	Change from last Yr.	Qtr.
Vacancy	12.68%	↑	↓
Lease Rates	$23.09	↑	↑
YTD Net Absorption*	1,115,610 SF	↓	↑
Deliveries (YTD)	1,975,117 SF	↓	↑

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

HOT TOPICS

- T. Rowe Price Group Inc. received approval to add 404,000 square feet of office space to the Owings Mills campus, adding approximately 1,300 new jobs.
- Total square footage under construction is at highest level since 2002.
- Despite a healthy number of tenants in the market, economic uncertainties are causing companies to hesitate in their decisions whether or not to lease.

The Baltimore Metropolitan Area has spent years trying to shed its "Rust Belt" image as a besieged manufacturing hub. Baltimore's economic mainstays have transformed from industry to healthcare, financial services and life sciences. On the heels of this transformation, 25% of the office inventory was added between 2000 and 2006, an indication of the shift from a blue collar to a white collar economy.

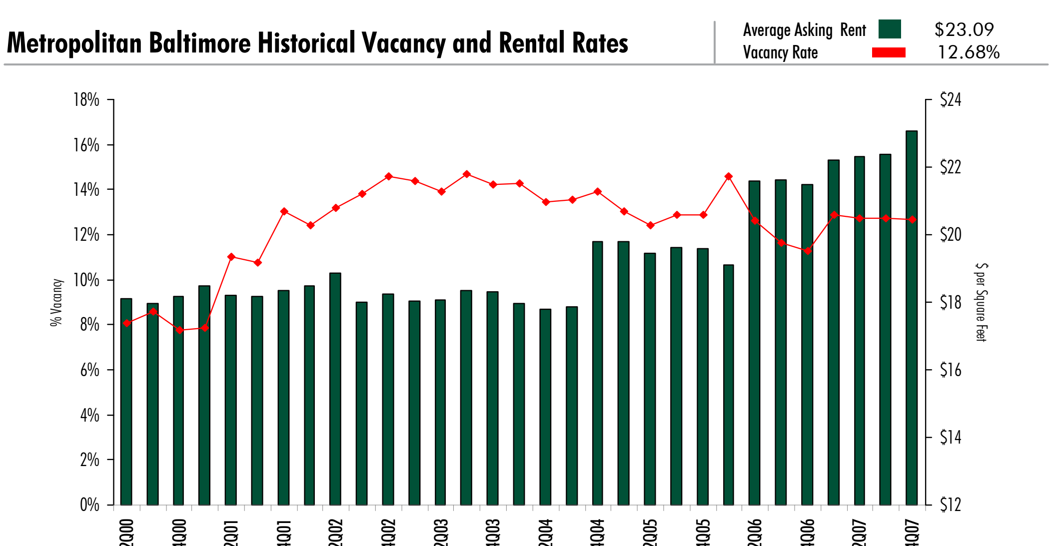
Despite the perception of economic volatility resulting from the commercial lending markets, the Baltimore Metropolitan Area absorbed approximately 600,000 square feet of office space in the fourth quarter. The bulk of the absorption was in the life sciences and defense subcontracting sectors. The absorption of space by these tenants was indicative of the anticipated ground swell of government and defense subcontractors migrating to the area as a result of the Department of Defense's 2005 Base Realignment and Closure (BRAC). The healthcare industry also played a significant role in fourth quarter leasing activity, where over 52,000 square feet was leased in the area by healthcare related companies.

Construction activity is at its highest level since 2002, a time when economic conditions truncated future development regionally and nationally. Investors and developers are now increasing the supply of speculative construction in the pipeline because of prospective defense and government contractors arriving due to BRAC, the stability of the local Baltimore economy and its geographical proximity to the Washington, DC Metropolitan Area.

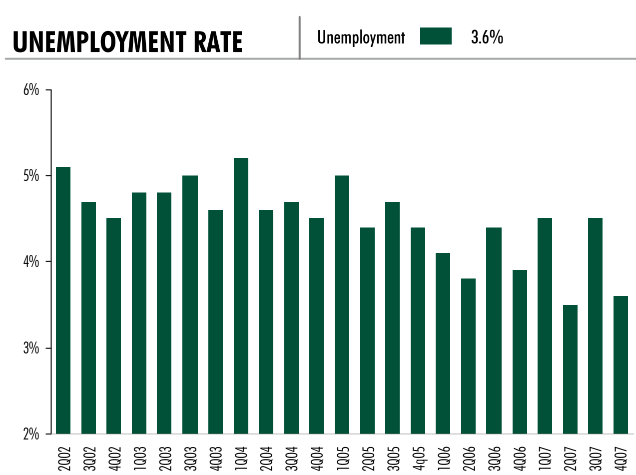
The Baltimore Metropolitan Area employment scenario incurred positive job growth in the fourth quarter of 2007 as compared to the same time period in 2006. Over 16,000 jobs were created between November 2006 and November 2007. The professional and business services companies saw the greatest job growth increase of 2.4%.

The volume of Metropolitan Area investment sales for 2007 has increased more than 300% since the same time in 2006. The average price per square foot was approximately $173 in the metro area, roughly an 18% increase since the same time last year. In the past 12 months 61% of investors were either REITs or institutional, perhaps due to access of liquid assets and lack of need for outside financing during the current instability of the lending markets. Depending upon how much impact the credit crunch has on the economy, private investors may become less competitive due to their need for highly leveraged acquisitions.

Metropolitan Baltimore Historical Vacancy and Rental Rates



Submarket	Inventory	Direct Vacancy Rate	Sublet Rate	Net Absorption 2007 YTD	Square Feet Under Construction	Avg. Asking Rental Rate
Class "A+" CBD	4,274,399	6.40%	0.13%	210,030	-	$27.36
Class "A" CBD	4,882,862	13.27%	0.14%	81,453	-	$25.15
Class "B" CBD	4,023,204	11.98%	2.38%	(29,368)	-	$19.42
Downtown Total	**13,180,465**	**10.65%**	**0.82%**	**262,115**	**-**	**$23.98**
Baltimore City East	3,341,422	11.40%	0.00%	132,274	874,230	$29.81
Baltimore City West	1,849,278	37.97%	0.00%	25,369	-	$20.66
Baltimore City North	804,117	7.85%	0.00%	21,936	-	$19.98
Midtown/Mt. Vernon	659,537	8.00%	0.00%	66,112	29,000	$16.88
Baltimore City (Non-CBD)	**6,654,354**	**18.02%**	**0.00%**	**245,691**	**903,230**	**$21.83**
BALTIMORE CITY TOTAL	**19,834,819**	**13.12%**	**0.55%**	**507,806**	**903,230**	**$22.90**
Annapolis	2,284,434	8.81%	1.18%	19,826	125,000	$30.12
BWI	6,394,973	11.53%	2.69%	40,089	647,517	$26.76
Columbia	10,691,305	9.77%	2.97%	352,996	364,444	$25.45
Ellicott City	491,948	7.57%	0.37%	9,907	-	$22.43
Route 2/3	885,005	6.54%	0.00%	(618)	50,000	$24.00
Lower Suburban	**20,747,665**	**10.01%**	**2.50%**	**422,200**	**1,186,961**	**$25.75**
East Baltimore County	988,484	20.21%	1.36%	(10,903)	-	$21.35
Reisterstown Rd Corridor	3,636,531	12.27%	1.66%	4,264	741,970	$21.25
Harford County	594,851	9.87%	1.12%	48,132	-	$19.00
Hunt Valley	3,775,870	10.93%	0.69%	81,327	385,358	$22.06
Towson/Timonium	6,545,331	9.02%	0.38%	55,501	-	$21.56
West Side	2,281,971	11.34%	0.13%	7,283	-	$19.64
Upper Suburban	**17,823,038**	**11.03%**	**0.75%**	**185,604**	**1,127,328**	**$20.81**
SUBURBAN TOTAL	**38,570,703**	**10.49%**	**1.69%**	**607,804**	**2,314,289**	**$23.28**
METROPOLITAN TOTAL	**58,405,522**	**11.38%**	**1.30%**	**1,115,610**	**3,217,519**	**$23.09**



Source: Maryland Department of Labor & Licensing Regulation

The unemployment rate in the Baltimore MSA decreased from 4.5% to 3.6% in the fourth quarter of 2007. The City of Baltimore maintained the highest rate of unemployment at 5.6%, while continuous growth in Howard County supported the lowest rate at 2.4%. Overall employment in the state of Maryland remained healthy with an unemployment rate of 3.5%, lower than the national average of 4.7%.

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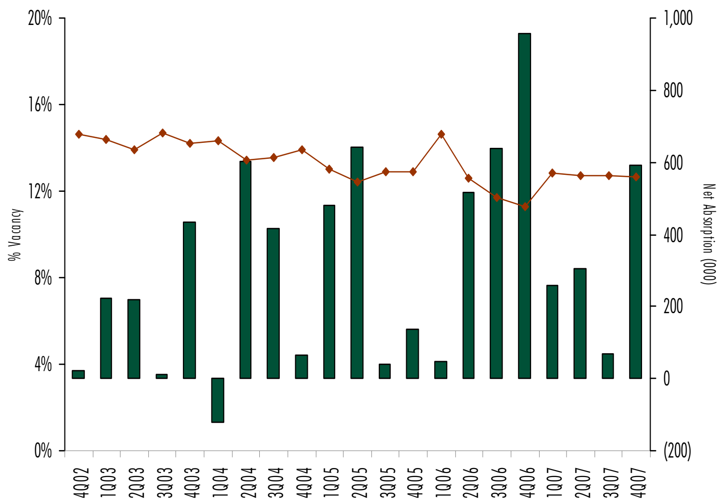
HISTORICAL VACANCY/NET ABSORPTION

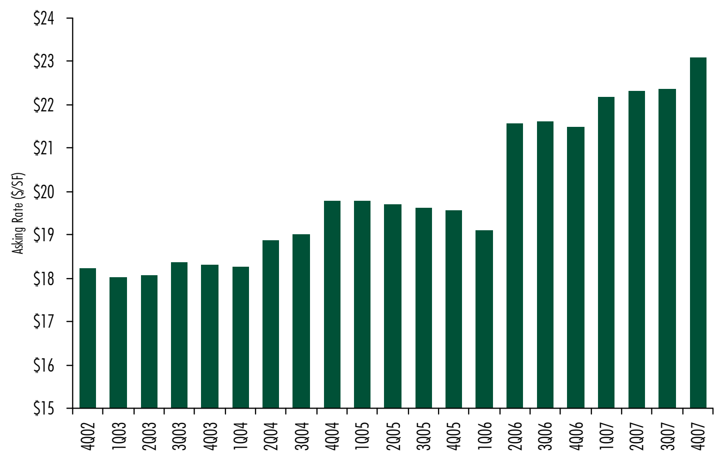
Absorption 591,099 SF
Vacancy 12.68%



The overall vacancy for the fourth quarter was 12.68%, relatively unchanged from the 12.72% recorded in the third quarter. Although the area's top fourth quarter transaction was less than 35,000 square feet, the steadiness of the market is attributable to stable leasing numbers in major submarkets, but also vacancy reductions in historically lethargic submarkets like Harford County, Baltimore City West and Mt. Vernon. Absorption of Class A space in the CBD was hindered by Care First putting 116,000 square feet back on the market at 100 South Charles Street. Significant absorption was recorded in the Columbia submarket due to the delivery of the Johns Hopkins Applied Physics Laboratory, a 243,000 square foot build-to-suit that was 100% preleased at the time of delivery.

HISTORICAL AVERAGE ASKING LEASE RATES

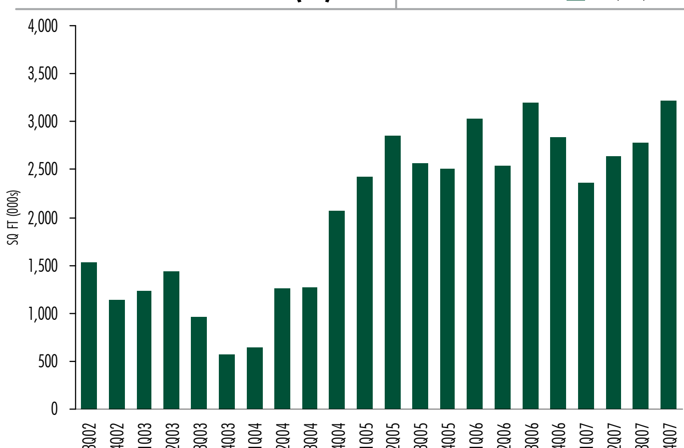
Avg Asking Lease Rate $23.09



The amount of competitive, high quality product has increased in recent years, demanding higher rates than the declining percentage of functionally obsolete buildings. In addition, the local assemblage of exceptionally stable landlords has curtailed rental rate concessions required by owners. Average asking rents in Annapolis have risen to over $30 per square foot, as deliveries like Park Place and other Class A product signify the demand for quality in the submarket. Due to rising energy costs, many landlords have begun implementing net of electric rents in lieu of full service rates to pass increasing operating costs through to tenants.

CONSTRUCTION ACTIVITY (SF)

SF Under Construction 3,217,519



Over 3.2 million square feet is under construction in the Baltimore market, with 33% preleased. The Baltimore City East submarket contains the largest quantity of space in the Metro Area under construction. The largest project in the submarket is a build-to-suit for Legg Mason, who signed for 354,845 square feet of the 579,230 square foot project.

There has been a rise in "green" construction in the Baltimore MSA. In addition to KCI's Leadership in Energy and Environmental Design (LEED) headquarters in Hunt Valley, Manekin also plans to build a LEED-certified, Gold-rated headquarters in Columbia.

MARKET OUTLOOK

It is expected that Baltimore's market fundamentals will tighten as existing projects see decreasing vacancy rates and new deliveries are leased at a steady rate.

Construction totals are at the highest level in nearly six years, as investors and developers ramp up for the government contractors expected to begin arriving in 2009 and 2010 as agencies from the Department of Defense move to Fort Meade and Aberdeen Proving Ground in conjunction with the 2005 BRAC.

The "exponential growth" effect from BRAC will create additional job growth, as the area will require new infrastructure improvements and service industries to support the population increase. Each of these elements will have a positive impact on leasing and continue to stabilize and enhance the local economy.

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TOP 4Q 2007 BALTIMORE LEASE TRANSACTIONS

Size (SF)	Tenant	Address	Submarket
33,522	Barton Cotton Inc.	9755 Patuxent Woods Dr.	Columbia
25,000	Boston Scientific	6711 Columbia Gateway Dr.	Columbia
23,194	Towson University	7801 York Rd.	Towson/Timonium
21,768	Peak Technologies, Inc.	10330 Old Columbia Rd.	Columbia

BALTIMORE SUBMARKET MAP

AVAILABLE SQUARE FEET
Available building area which is either physically vacant or occupied.

AVAILABILITY RATE
Available square feet divided by the net rentable area.

AVERAGE ASKING LEASE RATE
Rate determined by multiplying the asking lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with leases for all buildings in the summary.

FULL SERVICE
Rent is inclusive of operating expenses and rates.

MARKET COVERAGE
Includes all competitive office buildings 10,000 square feet and greater in size.

NET ABSORPTION
The change in occupied square feet from one period to the next.

NET LEASES
Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

NET RENTABLE AREA
The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

OCCUPIED SQUARE FEET
Building area not considered vacant.

UNDER CONSTRUCTION
Buildings which have begun construction as evidenced by site excavation or foundation work.

VACANT SQUARE FEET
Existing building area which is physically vacant and immediately available.

VACANCY RATE
Vacant building feet divided by the net rentable area.

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